

IPTV: One Size fits None

By Becky Bracken

People take their television really, really personally. And so should their providers. Since Generation X-ers first declared "I Want My MTV!" personalized, premium video content has become an integral part of people's lives. Now, with advent of tablets, smart phones, YouTube and LOL cats, customers are no longer differentiating between cable, satellite and online video content, and service providers everywhere are racing to put the power of TV right in their customers' hands, wherever they go.

More Fiber, More Customers

Increased broadband penetration is helping make IPTV a viable alternative to cable and satellite. IPTV services have really lifted off in Europe and Asia, where there isn't such stiff competition from cable and satellite and fiber is being deployed at a steady clip. French researcher iDate says Europe saw a 24 percent increase in Fiber-to-the-home subscribers in the first six months of 2011 alone. Europe now has 10.2 million Fiber customers and serves 28 million homes. In France, 50 percent of broadband subscribers are also IPTV customers, according to Point Topic, a researcher for Broadband Forum. Point Topic also says there are 50 million IPTV subscribers globally. That's a lot of potential customers for IPTV providers.

Particularly in North America and in Western Europe, the competition among service providers to attract and capture video customers is heating up. In North



America alone, over the past 18 months, nearly 20 cable operators, satellite TV providers, telcos and content providers have launched or begun testing multi-screen video services.

No pressure.

Anywhere TV

Providers who can provide a reliable, personal video experience for their users will be poised to grab, and keep, the customers who are driving up revenues as they adopt lucrative quadruple-play and premium video services. Video compression rates have improved exponentially, allowing even telephone companies to get in the video game by delivering IPTV service over good ol' twisted pair or shiny new Fiber. Today, multi-screen anywhere TV is the key service differentiator. But, ultimately who will win depends on who is able to provide the customer with a seamless

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A one-size-fits-all approach isn't just a deal-breaker for customers; service providers of all stripes will have to evaluate their networks and product offerings to develop their own quadruple-play offering reliable enough to be attractive and support an increasing number of devices and services. That means different things for cablecos, telcos, satellite providers and OTT players trying to develop a superior service.

Pay TV is for Real

Over-the-top player Netflix leads the Pay TV market with just over 24 million customers. Comcast came in at a close second with just over 22 million subscribers. However, there seems to be a steady exodus of customers migrating from cable providers to less-expensive OTT players and highly-ranked IPTV providers (Fig. 1).

Both Verizon and AT&T U-verse gained about 200,000 subscribers while Netflix streaming service grew by over 1.8 million subscribers. Time Warner, Comcast and Cablevision all shed subscriptions by the thousands.

Both the falling price of HDTVs and an increase in the number of households with DVRs is driving an up-tick in pay-TV subscribers. In fact, penetration of HDTVs increased by 8 percentage points over the past year, according to a report from JD Powers and Associates. Service providers with the ability to offer triple-play services have also seen a slight increase in monthly billing: an average of \$149.52 in 2011 from \$140.90 in 2010. But Ari Banerjee, Senior Analyst with Heavy Reading, says that although triple and quadruple-play services are a revenue generator, no one provider seems to be able to provide a comprehensive, high-

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quality service, which will be key to attracting and keeping subscribers over the long haul.

Personal Service Pays Off

"All the service providers today have unique challenges which they are trying to overcome," Banerjee said. "They need to do something to have the confidence of consumers buying triple play package from them."

For a fourth consecutive year, AT&T's U-verse and DIRECTV were the providers ranked highest in customer satisfaction by JD Powers and Associates Residential Television Service Satisfaction Study, which is based on responses from 23,880 U.S. customers. Both saw significant subscriber growth, where lower-ranked cable operators saw significant subscriber-churn. Providers positioned to provide portable, flexible, price competitive service will win and IPTV provides the flexibility to do just that. Also worth noting, is that higher billing triple- and quadruple-screen plays make up nearly 75 percent of the U-verse subscriber base.

But customer satisfaction isn't the whole picture. In fact, AT&T recently reported U-verse TV subscribers have fallen off this year compared to last. In the second quarter of 2010, AT&T added 236,000 TV subscribers, while over the same period in 2011, they added only 202,000.

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It's hard to predict whether the weakening subscriptions are simply another casualty of the economic downturn (similar to falling subscribers to HBO or Showtime, for instance) or an indicator that consumers are still churning to low-to-no cost providers like Netflix (NASDAQ: NFLX) and Hulu. There are also plenty of questions left for content providers to answer regarding how to monetize their content with an IPTV model. Hollywood is freaked about their entire business model being turned on its end. But customers won't sign up for any video service that doesn't offer the premium content they want, leaving many potential video consumers in a wait-and-see mode.

OTTs Expand Internationally

OTT players are poised for huge international expansion, according to a recent report from [Market Research](#). As partnerships with both content providers and service providers are formed with players like Hulu and others, global online TV advertising revenue is predicted to reach \$21.52 billion in 2016. But the slice of advertiser OTT revenue will shrink from 63 percent in 2010 to an estimated 46 percent in 2016 as pay-TV revenues skyrocket which means that even advertisers are being forced to adapt as more customers opt for subscription-based services over the next five years.

If anyone still doubts the pull of IPTV for customers, please note Exhibit A: Netflix. Between its colossal Qwikster fail and difficulty securing Starz content, Netflix lost an obscene 800,000 subscribers in the third quarter of 2011 alone. Those little red envelopes that brought down video titans like Blockbuster are no match for customers' growing hunger for on-demand premium content streaming. But pricing and the lack of availability of premium content on Netflix have proven to be real deal-breakers with customers. If your subscribers can't find or access what they want, whenever they want it, they will leave, in droves.

BSS/OSS in Real Time

Offline support systems that don't react in real-time aren't going to cut it in the IPTV market. The business and operational support systems (BSS/OSS) will become part of the operator's product offering and relationship with customers. The ability to interface anywhere, anytime with your customers in real time can give any provider an edge and the ability for providers' to support multiple on-demand and subscription based billing models will be a necessity. According to Banerjee, there are few, if any, providers with a complete BSS/OSS system in place to do that.

"Product catalog, Intelligent Offer Management, Order Management, Advanced Analytics, embedded catalog, and policy management with BSS systems will play critical roles," Banerjee adds.

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Zero Sum

While the development and deployment of quadruple-play services and Anywhere TV will look vastly different for each provider, the stakes couldn't be higher. It's a zero-sum game. Service providers have got to optimize converged networks to interface with any device, from anywhere. That will require real-time reaction to customer needs and the ability to personalize the experience for each subscriber. While that might sound like a tall order, but the penalties for not rising to the challenge are even greater.

"At the end, service providers need to listen to their customer, see what they want and then provide services which appeal to their lifestyle, Banerjee adds. "It might sound cliché, but winners will be service providers who can provide personalized experience for end users. One size does not fit all so service providers need to move away from a mass market approach to a more personalized one."

Top 12 US Pay TV Providers

COMPANY	BASIC SUBSCRIBERS	DIGITAL SUBSCRIBERS
Comcast	23.5 million	18.8 million
DirecTV	18.7 million	18.7 million
Dish Network	14.3 million	14.3 million
Time Warner Cable	12.8 million	9.0 million
Cox	5.1 million	3.4 million
Charter	4.8 million	3.3 million
Cablevision Systems	3.1 million	2.9 million
Verizon	3.0 million	3.0 million
AT&T	2.3 million	2.3 million
Bright House Networks	2.3 million	1.6 million
Suddenlink	1.24 million	575,700
Mediacom	1.23 million	699,000

*source Heavy Reading